



Corporate Governance Guidelines

The Board of Directors (the "Board") of ORION ENERGY SYSTEMS, INC. (the "Company"), has developed and adopted certain corporate governance principles ("Guidelines") establishing a common set of expectations to assist the Board and its committees in fulfilling their responsibilities to the Company's shareholders to oversee the work of management and the Company's results. These Guidelines are intended to ensure that the Board will have the necessary authority and practices in place to review and evaluate the Company's business operations as needed and to make decisions independent of the Company's management. In recognition of the continuing discussions about corporate governance, the Board will review and, if appropriate, revise these Guidelines from time to time.

Role of the Board and Management

The Company's business is conducted by its employees, managers and officers, under the direction of the Company's President and Chief Executive Officer ("CEO") and the oversight of the Board, to enhance the long-term value of the Company for its shareholders. The Board is elected by the Company's shareholders to oversee management and to assure that the long-term interests of the shareholders are being served.

Responsibilities of the Board

The Board reviews and discusses reports by management on the performance of the Company, its plans and prospects, as well as immediate issues facing the Company. Directors are expected to attend all scheduled meetings of the Board and the committees on which they serve. Attendance by phone is acceptable with the prior consent of the Chairman of the Board if a director cannot attend meetings due to travel problems, conflicts or similar causes. Directors are expected to attend the annual meeting of the Company's shareholders.

In addition to its general oversight of management, the Board (either directly or through its committees) also performs a number of specific functions, including:

1. Representing the interests of the Company's shareholders in maintaining and enhancing the success of the Company's business, including optimizing long-term returns to increase shareholder value;
2. Selecting, evaluating and compensating a well-qualified CEO of high integrity, and overseeing CEO succession planning;
3. Providing counsel and oversight on the selection, evaluation, development and compensation of senior management;
4. Reviewing, approving and interacting with senior management with respect to the Company's fundamental financial and business strategies and major corporate actions, including strategic planning, management development and succession, operating performance and shareholder returns;
5. Assessing major risks facing the Company and reviewing options for their mitigation;
6. Ensuring processes are in place for maintaining the integrity of the Company, the integrity of its financial statements, the integrity of its compliance with law and ethics, the integrity of its relationships with customers and suppliers and the integrity of its relationships with other stakeholders; and
7. Providing general advice and counsel to the CEO and other senior management personnel.

Board Composition, Leadership, Independence, Qualification and Selection

Board Size

The Nominating and Corporate Governance Committee will regularly review and make recommendations on the size of the Board and its composition. Board size and composition will be set so that the Board will possess, in the aggregate, the strategic, managerial and financial skills and experience necessary to fulfill its duties and to achieve its objectives. The Company's Bylaws currently provide that the Board shall consist of not less than three (3) nor more than twelve (12) directors. The specific number of Board members will be reviewed from time to time and adjusted as necessary and appropriate to promote the best overall interests of the Company and its shareholders.

Board Leadership

The Board shall elect a Chairman who shall have primary responsibility for calling to order and conducting meetings of the Board and of the shareholders, and reviewing and proposing additions to the agenda for each meeting prepared by the Company's General Counsel (after consultation with the Company's executive officers), as well as for carrying out such other duties as may be specified for such office in the Company's Bylaws. This responsibility does not, however, diminish the responsibilities of each Board member to raise appropriate agenda items, or to propose meetings.

Independence of Directors

The majority of the members of the Board will meet the criteria for independence as established by the Board in accordance with The Nasdaq Stock Market ("Nasdaq") and Securities and Exchange Commission ("SEC") standards. In general, the Board will utilize the Nasdaq and SEC standards to determine materiality in considering independence of directors. The Board also will establish, and from time to time update, criteria for director independence. In addition, the Board will conduct a review of the independence of each Board member no less frequently than annually.

Qualification of Directors

The Board will select nominees to become directors to fill vacancies or newly created directorships, to be nominated for election by the Company's shareholders at the Annual Meeting of the Shareholders, and to fill committee assignments. The screening process is delegated to the Nominating and Corporate Governance Committee with director input from the Chairman of the Board and the CEO. The Nominating and Corporate Governance Committee may, if it deems appropriate, retain for a fee recruiting professionals to identify and assist in evaluating candidates.

Selection of Directors

The Board as a whole should possess certain core competencies. All candidates for nominee for director will be reviewed based upon the Board of Director's current capabilities, any needs therein and the capabilities of the candidate. The selection process will take into account all factors that the Nominating and Corporate Governance Committee considers appropriate, which may include the candidate's strength of character, mature judgment, career specialization, relevant technical skills or financial acumen, diversity of viewpoints and industry knowledge and experience. The Board will look for individuals who have displayed the highest personal and professional ethics, integrity and values and sound business judgment.

Board Committees

The Board has established three standing committees: an Audit and Finance Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The responsibilities of each committee are contained in committee charters approved by the Board. The Nominating and Corporate Governance Committee will review the committee structure of the Board and the membership of various committees annually and make recommendations for any changes to the Board. In consultation with the Chairman of the Board and the executive officer responsible for supporting each committee, each committee chairperson will determine the frequency of meetings and the agenda for each meeting of the committee. The committee chairperson shall be responsible for making recommendations to the full Board and presenting resolutions requiring Board action and shall, after each committee meeting, report to the Board and make minutes available for all Board members.

Committee Assignment and Rotation

The Board will make committee assignments. Board members will rotate between committees from time to time as the Board deems appropriate.

Number and Scope of Board and Committee Meetings

The Board will meet at least four times per year, including concurrently with the Annual Shareholders Meeting. Committees of the Board will meet as needed or as set forth in their respective charters. Each director is expected to attend all meetings of the Board and any committee(s) of which he or she is a member and to review all meeting materials circulated prior to each meeting. Attendance by phone is acceptable with the prior consent of the Chairman of the Board if a director cannot attend meetings due to travel problems, conflicts or similar causes.

Each Board meeting will include a financial and operating review. In addition, at least once annually, the Board will devote substantial time to reviewing the following matters: senior executive succession planning; the personal objectives and performance of the CEO; senior executive performance evaluation; the corporate code of business conduct and ethics; corporate controls and financial reporting policies and procedures; the Board' effectiveness; and the Company's overall business strategy and strategic plan.

Director Compensation

Non-employee directors and committee chairs shall receive reasonable compensation for their services, as may be determined from time to time by the Board upon recommendation of the Compensation Committee. Compensation for non-employee directors and committee chairs shall be set at a level that is consistent with market practice, taking into account the size and scope of the Company's business and the responsibilities of its directors. The Compensation Committee of the Board shall annually review and report to the Board with respect to director compensation and benefits.

Directors who are employees shall receive no additional compensation for serving as directors.

Director Access to Management and Independent Advisors

The Board is expected to be highly interactive with members of the Company's senior management, and the Board and its individual members will have full access to individual senior executives of the Company. The Company also maintains an environment that permits senior managers to contact Board members directly.

It is policy of the Board that executive officers and other members of senior management who report directly to the CEO be present at Board and/or committee meetings at the invitation of the Board or committee members. The Board encourages such executive officers and senior management to make presentations or to include in discussions at Board meetings managers and other employees who (i) can provide insight into the matters being discussed because of their functional expertise and/or personal involvement in such matters and/or (ii) are individuals with high potential whom such executive officers and senior management believe the directors should have the opportunity to meet and evaluate.

Directors are authorized to consult with independent advisors, as is necessary and appropriate, without consulting management.

Shareholder Access to Directors

The Company encourages shareholders to communicate with directors. The Nominating and Corporate Governance Committee will maintain the procedures it has established for shareholders to communicate directly to the chairperson of the Nominating and Corporate Governance Committee, the chairperson of the Audit and Finance Committee regarding financial or accounting policies or any Director. The Company may screen emails to directors for relevance, but not based on the content of communications that are relevant to directors in their capacities as directors. The Company may screen regular mail for security purposes and for relevance, but not based on the content of communications that are relevant.

Ethics and Conflicts of Interest

The Board expects the Company's directors, as well as its officers and employees, to act ethically at all times and to acknowledge their adherence to the policies set forth in the Company's Code of Conduct. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the CEO. If a significant conflict exists and cannot be resolved, the director should resign. All directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests. The Board shall resolve any conflict of interest question involving the CEO or a senior vice president, and the CEO shall resolve any conflict of interest issue involving any other officer of the Company.

Reporting of Concerns to the Audit and Finance Committee

Anyone who has a concern about the Company's conduct, or about the Company's accounting, internal accounting controls or auditing matters, may communicate that concern directly to the Audit and Finance Committee. Such communications may be confidential or anonymous, and may be reported by phone to a special phone number or other means prescribed by the Company that will be published in internal Company publications. All such concerns will be forwarded to the Audit and Finance Committee for its review, and will be simultaneously reviewed and addressed by the Company in the same way that other concerns are addressed by the Company. The status of all outstanding concerns addressed to the Audit and Finance Committee will be reported to the directors on a quarterly basis. The Audit and Finance Committee may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them. The Company's Code of Conduct requires accurate, complete and timely recording and reporting of all financial transactions involving the Company by financial personnel and compliance with applicable laws and regulations, and prohibits any director, officer or employee from taking retribution against any director, officer or employee who provides information or assists in an investigation concerning an event that person reasonably believed constituted a violation of the Code of Conduct.

Director Orientation and Continuing Education

The Board shall ensure that an orientation program for newly elected directors is implemented. Each new director will participate in the orientation program, which should include presentations designed to familiarize directors with the Company, the overall strategic plan for the Company, the significant financial accounting and risk management issues of the Company,

the internal and independent audit functions of the Company and the Company's Code of Conduct. The presentations should also review procedures of the Board, director responsibilities, Board committee charters and these Corporate Governance Guidelines. The Company's General Counsel shall oversee and maintain the orientation program implemented by the Board.

The Board encourages directors to continue educating themselves with respect to domestic and international markets, accounting and finance, leadership, crisis response, industry practices, general management, and strategic planning.

Management Succession, Evaluation and Compensation

The Board shall develop and maintain an appropriate succession plan with respect to the position of CEO.

The Compensation Committee is responsible for evaluating the CEO's performance on an annual basis, reviewing its actions with the Board, and making recommendations to the Board concerning annual and long-term performance goals for the CEO. The Compensation Committee's evaluation of the CEO is based upon a combination of achievement of the annual and long-term performance goals established for the CEO as well as strategic Company objectives. The Compensation Committee will take this evaluation into account when setting the CEO's incentive and equity compensation.

Presiding Director and Executive Sessions

The Board shall meet in executive session (without members of management being present) at least once annually. Additional executive sessions of the Board shall be held as necessary or appropriate (as determined by the director presiding at such meetings during each two-year period) or upon the request of the Nominating and Corporate Governance Committee or any two other non-management directors. Executive sessions shall be led by the Chairman of the Board, if such Chairman is an independent director, or a Lead Director, who shall be an independent director appointed by the Board. The Chairman or the Lead Director, as the case may be shall (i) communicate with the CEO after each Board meeting to provide feedback on the substance of the items presented, and any further suggestions for enhancing management's effectiveness, (ii) coordinate, develop the agenda for and moderate executive sessions for the Board's independent directors, and (iii) act as principal liaison between the independent directors and, in the case of a Lead Director, and the Chairman of the Board on sensitive issues. In performing the above described responsibilities, the Chairman of the Board or the Lead Director, as the case may be, may consider comments and requests of shareholders.

Annual Performance Assessment of the Board

The Board will conduct a self-assessment and an assessment of its committees at least annually to determine whether it and its committees are functioning effectively.

Limitation

Nothing in these guidelines is intended to expand the fiduciary obligations of Board members beyond those provided for under applicable law.

Adopted by the Board of Directors on August 29, 2007